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*Corp report*

*Mar. 16*  
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# ANNUAL REPORT



*Riverside*

Yarns Limited

1965



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*Directors*

R. J. ANDERSON  
K. D. BAILEY  
D. M. DEACON  
J. S. DEACON  
S. E. EDWARDS

*Officers*

J. S. DEACON,  
*President*  
D. M. ROGERS, B. Com.  
*Vice-President  
Development and Sales*  
P. W. MOORE,  
*Vice-President  
Manufacturing*  
L. R. DOBBIN, B. Com.  
*Treasurer and Comptroller*  
S. E. EDWARDS,  
*Secretary*

*Head Office and Plant*

GALT, Ontario

*Bankers*

Royal Bank of Canada

*Solicitors*

Fraser, Beatty, Tucker,  
MacIntosh and Stewart

*Transfer Agents and Registrars*

National Trust Company,  
Toronto.

*Auditors*

Thorne, Mulholland, Howson &  
McPherson.  
Chartered Accountants, Toronto

# Report of the directors

**TO THE SHAREHOLDERS:**

The financial statements, together with the report of the auditors, for the year ended December 31, 1965, are submitted herewith, showing the financial position and earnings of the company for the year under review as compared with the previous year. The following are the highlights:

	1965	1964	% increase (decrease)
Net sales .....	\$3,144,077	\$3,504,747	(10)
Profit before depreciation and profit sharing .....	180,514	405,796	(56)
Depreciation .....	119,806	99,786	20
Profit sharing .....	9,106	76,803	(88)
Net profit before taxes .....	51,602	229,207	(77)
Net profit after taxes .....	51,602	182,105	(72)
Earnings per Class A share .....	1.72	6.07	(72)
Long term debt .....	400,880	484,700	(17)
Working capital .....	622,349	588,866	6
Working capital ratio .....	1.83-1	1.81-1	1



Due to a disappointing spring season for our customers, sales declined during the second quarter, and as a result of chaotic price conditions during the year sales continued well below forecast. It was not until late in the final quarter that a reversal of this trend became evident. The lower sales and the unusually heavy research and development expenses were the major causes of the reduction in profits.

Receivables were substantially below last year as a result of lower sales volume. Reflecting the greater diversification of the company's products and efforts to maintain a supply of each adequate to service the needs of our customers, inventories at the year end were at a higher level than in prior years.

There were no major capital expenditures during the year, the total being \$74,606, compared with \$229,139 in 1964. The company's main effort was directed toward perfecting the operations of its new extrusion plant, and the completion of development programs initiated in 1964. The benefits of these are starting to appear in our current operations. The principal objective for 1966 is to make full use of recent additions and improvements to the plant to improve profit margins.

During November, a new contract was signed covering wages and other employee benefits for the period ending December 31, 1968. Management appreciates the loyalty and support of all employees during what has been a difficult year.

On behalf of the Board,

JOHN S. DEACON,  
President.

# Riverside Yarns Limited

## STATEMENT OF INCOME

Year ended December 31, 1965

(With comparative figures for 1964)

	1965	1964
Sales, net .....	\$3,144,077	\$3,504,747
Cost of sales .....	2,737,437	2,875,707
Gross margin .....	406,640	629,040
Selling and administrative expenses .....	178,297	189,418
Directors' fees .....	2,200	1,600
Interest on long-term liabilities .....	40,800	23,395
Financing expenses amortized .....	3,389	2,690
	224,686	217,103
Income before undernoted items .....	181,954	411,937
Depreciation .....	119,806	99,786
Loss on disposal of fixed assets .....	1,440	6,141
	121,246	105,927
Net income before profit sharing and taxes .....	60,708	306,010
Contribution to employees' profit-sharing and pension plan .....	9,106	76,803
Income before undernoted taxes .....	51,602	229,207
Taxes on income (note 5) .....	—	47,102
Net income for year .....	\$ 51,602	\$ 182,105

## STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1965

(With comparative figures for 1964)

	1965	1964
Retained earnings at beginning of year .....	\$ 464,090	\$ 304,485
Add Net income for year .....	51,602	182,105
Adjustment of prior years' income tax provision .....	47,102	—
	562,794	486,590
Deduct Dividends on Class A shares .....	30,000	22,500
Retained earnings at end of year .....	\$ 532,794	\$ 464,090



## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1965

(With comparative figures for 1964)

	1965	1964
<b>Funds made available:</b>		
By operations:		
Net income for year .....	\$ 51,602	\$ 182,105
<b>Add:</b> Expenses which do not involve an outlay of funds:		
Depreciation .....	119,806	99,786
Financing expenses amortized .....	3,389	2,690
Loss on disposal of fixed assets .....	1,440	6,141
	<u>176,237</u>	<u>290,722</u>
Proceeds from sale of fixed assets .....	110	305
Additional loan from Industrial Development Bank .....	23,140	270,500
Sale of common shares .....	—	30,000
Adjustment of prior years' tax provision .....	47,102	—
	<u>246,589</u>	<u>591,527</u>
<b>Funds applied:</b>		
Payments on long-term liabilities .....	107,160	38,120
(Decrease) increase in principal instalments due within one year .....	( 200 )	58,000
	<u>106,960</u>	<u>96,120</u>
Increase in deferred charges .....	1,540	—
Additions to fixed assets .....	74,606	229,139
Dividends on Class A shares .....	30,000	22,500
	<u>213,106</u>	<u>347,759</u>
<b>Resulting increase in working capital .....</b>	<b>33,483</b>	<b>243,768</b>
Working capital at beginning of year .....	588,866	345,098
Working capital at end of year .....	<u>\$ 622,349</u>	<u>\$ 588,866</u>
<hr/>		
Current assets .....	1,367,934	1,307,446
Current liabilities .....	745,585	718,580
	<u>\$ 622,349</u>	<u>\$ 588,866</u>

# Riverside Yarns Limited (Incorporated in Canada)

## STATEMENT OF FINANCIAL POSITION, December 31, 1965 (With comparative figures for 1964)

ASSETS		
Current Assets:	1965	1964
Accounts receivable, less allowance for doubtful accounts .....	\$ 525,019	\$ 620,133
Income taxes recoverable .....	6,400	—
Subscriptions receivable, common shares .....	—	23,000
Inventory, at the lower of cost and market .....	772,965	610,048
Prepaid expenses .....	63,550	54,265
	<u>1,367,934</u>	<u>1,307,446</u>
Fixed Assets, at replacement values as of April 10, 1928, as per appraisal of Dominion Appraisal Co., Limited, with subsequent additions at cost:		
Land .....	6,600	6,600
Buildings .....	348,809	348,809
Machinery and equipment .....	1,194,806	1,122,391
	<u>1,550,215</u>	<u>1,477,800</u>
Less Accumulated depreciation .....	918,479	799,314
	<u>631,736</u>	<u>678,486</u>
Deferred charges to operations .....	9,589	11,438
	<u>\$2,009,259</u>	<u>\$1,997,370</u>

The accompanying notes on page eight

Approved on 1

J. S. DEACON, director

This is the balance sheet referred to in the annual report for the year ended 31st December 1965  
January 1966

THORNE, MULHOLLAND & CO., Chartered Accountants



at December 31, 1964)

## LIABILITIES

### Current Liabilities:

	1965	1964
Bank advances, secured (note 1) .....	\$ 325,112	\$ 108,085
Accounts payable and accrued expenses .....	313,450	449,045
Dividends payable .....	63	7,563
Income taxes payable .....	—	46,727
Principal instalments due within one year on long-term liabilities .....	106,960	107,160
	<hr/> 745,585	<hr/> 718,580

### Long-term Liabilities:

6½% First mortgage sinking fund bonds, Series A, due September 15, 1972 (note 2) .....	120,000	130,000
7½% Industrial Development Bank loan due 1969 .....	387,840	461,860
	<hr/> 507,840	<hr/> 591,860
Less Principal instalments due within one year included under current liabilities .....	106,960	107,160
	<hr/> 400,880	<hr/> 484,700
<b>Total Liabilities</b> .....	<hr/> 1,146,465	<hr/> 1,203,280

## SHAREHOLDERS' EQUITY

### Capital Stock:

#### Authorized:

30,000 Class A \$2.00 cumulative participating  
shares without par value

100,000 common shares without par value

#### Issued (notes 3 and 4):

30,000 Class A Shares }  
26,000 Common Shares } .....

	330,000	330,000
<b>Retained Earnings</b> .....	532,794	464,090
	<hr/> 862,794	<hr/> 794,090
	<hr/> \$2,009,259	<hr/> \$1,997,370

an integral part of this Statement.

of the Board.

S. E. EDWARDS, director

our report to the Shareholders, dated  
1966.

DOWSON & McPHERSON,  
Chartered Accountants.



# Riverside Yarns Limited

## NOTES TO FINANCIAL STATEMENT

Year ended December 31, 1965

**1. Security for Bank Loan:**

Accounts receivable and inventory are pledged as security for bank advances.

**2. 6½ % First Mortgage Sinking Fund Bonds:**

The company is required to redeem \$10,000 of bonds in each of the years 1966 to 1972.

**3. Arrears of Class A Dividends:**

Dividends on Class A shares have been paid to May 15, 1954, and arrears at December 31, 1965, amount to \$23.25 per share.

**4. Restriction of Dividends:**

The company shall not, without the prior consent of Industrial Development Bank, declare or pay dividends on its common shares, and it shall not pay dividends in any year on its Class A shares unless available funds (defined as net profit before depreciation, but after income taxes) for the previous year exceed \$160,000, and then only to the extent of \$90,000.

**5. Taxes on Income:**

Taxes on income for the current year would have been approximately \$20,000 except that it is the company's intention to claim for tax purposes capital cost allowance in excess of depreciation provided in the accounts.

Accumulated tax reductions applicable to future years are approximately \$24,000.

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF RIVERSIDE YARNS LIMITED:

We have examined the balance sheet of Riverside Yarns Limited as at December 31, 1965 and the statements of income and retained earnings for the year ended on that date. Our examinations included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statements of income and retained earnings present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in working capital of the company for the year ended December 31, 1965.

THORNE, MULHOLLAND, HOWSON & McPHERSON,  
Chartered Accountants.

Toronto, Canada,  
January 31, 1966.



PROFIT and LOSS  
Thousands of dollars



NOTE—No allowance for depreciation was made in the company's books for the year 1955.

# Riverside Yarns Limited

## SALES





Six Year  
Financial Summary  
See Overleaf

## SIX YEAR FINANCIAL SUMMARY

INCOME AND EXPENSE	1965	1964	1963	1962	1961	1960*
Sales .....	\$3,144,077	\$3,504,747	\$2,505,176	\$2,440,094	\$2,132,610	\$1,710,831
Cost of Sales .....	2,737,437	2,875,707	2,113,685	2,072,878	1,861,344	1,484,599
Gross Margin .....	406,640	629,040	391,491	367,216	271,266	226,232
Selling and Administrative Expenses .....	178,297	189,418	191,942	167,322	123,950	142,515
Directors' Fees .....	2,200	1,600	1,400	1,400	2,400	1,300
Interest on long-term liabilities .....	40,800	23,395	25,918	19,299	10,966	11,546
Financing expenses amortized .....	3,389	2,690	4,831	2,727	1,434	1,464
	224,686	217,103	224,091	190,748	138,750	156,825
Income before undernoted items .....	181,954	411,937	167,400	176,468	132,516	69,407
Profit or (Loss) on sale fixed assets .....	(1,440)	(6,141)	14	(268)	(3,550)	(193)
Depreciation .....	119,806	99,786	99,069	94,888	63,573	50,403
	121,246	105,927	99,055	95,156	67,123	50,596
Net Income before Profit Sharing and Taxes .....	60,708	306,010	68,345	81,312	65,393	18,811
Contribution to Employees' Profit Sharing and Pension Fund .....	9,106	76,803	10,252	12,197	9,809	2,822
Net Income before Taxes .....	51,602	229,207	58,093	69,115	55,584	15,989
Taxes on Income .....	—	47,102	—	—	—	—
Net Income for year .....	\$ 51,602	\$ 182,105	\$ 58,093	\$ 69,115	\$ 55,584	\$ 15,989

\*First year of operations following sale of Fabrics Division

FINANCIAL AND OTHER INFORMATION	1965	1964	1963	1962	1961	1960
Working Capital .....	622,349	588,866	345,098	273,019	212,983	211,681
Working Capital Ratio .....	1.83-1	1.81-1	1.59-1	1.56-1	1.53-1	1.77-1
Long-term Debt .....	400,880	484,700	310,320	352,860	222,411	170,000
Shareholders' equity — Total .....	862,794	794,090	604,485	546,392	477,277	423,000
Number of shares outstanding — Class A .....	30,000	30,000	30,000	30,000	30,000	30,000
Common .....	26,000	26,000	20,000	20,000	20,000	20,000
Equity per share — Class A .....	28.76	26.47	20.15	18.21	15.91	14.10
Common .....	—	—	—	—	—	—
Net Profit per share — Class A .....	1.72	6.07	1.93	2.30	1.85	.53
Common .....	—	—	—	—	—	—
Dividends paid per share — Class A .....	1.00	.75	—	—	—	—
Common .....	—	—	—	—	—	—
Dividend Arrears — Class A .....	23.25	22.25	21.00	19.00	17.00	15.00
Cash Flow (net income plus depreciation) .....	171,408	281,891	157,162	164,003	119,157	66,392
Purchase of Fixed Assets .....	74,606	229,139	46,323	233,418	174,304	102,192
% of Cash flow to total Shareholders' Equity .....	19.9%	35.5%	26.0%	30.0%	25.7%	15.7%
Fixed Assets .....	631,736	678,486	555,579	608,325	471,293	364,473



MEMORANDA





